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INTERNATIONAL CO-OPERATION FOR
FACILITATION OF INTERNATIONAL TRADE:
THE AFRICAN EXPERIENCE

Note by the ECA secretariat

INTRODUCTION

1. Modern international trade is governed by a set of rules and procedures which the trading communities follow. Trade facilitation (i.e., procedures, formalities, rules and regulations, documentation, transport, storage and warehousing and information) are established internationally agreed measures to ensure that all traders (exporters and importers) understand the rules of the game. These also assist governments in ensuring proper regulation of trade so as to make it conform to national objectives and priorities.

2. The African countries are characterized by the over-openness of their economies with foreign trade playing a key role in economic and social development. The economies are supported by exports principally of primary commodities with little diversification possibilities either in the commodity composition or direction of trade. The bulk of trade is with the industrialized countries with sophisticated trade and information networks among them. On the other hand, the African countries operate with inadequate trade information and cumbersome facilities and formalities that greatly impede international as well as intra-African trade. There is also limited or general lack of mechanisms, policies and institutional capacities for trade facilitation. Information on any existing trade facilitation practices is generally not available to most local traders.

3. The purpose of this document is to brief African Governments on the current situation on trade facilitation and the work being undertaken at the international level to regulate trade flows in a manner compatible with agreed sets of rules and procedures. Another objective of this document is to seek a broad approval of an interregional project proposal to be submitted to donor agencies to promote international co-operation for facilitation of international trade. This project will be implemented jointly by the UNCTAD secretariat and the regional commissions.

II. HISTORICAL BACKGROUND

4. Work on trade facilitation within the framework of the United Nations began in 1960 when the committee on trade development of the Economic Commission for Europe (ECE) was created as a working party on the simplification and standardization of export documents, now the Working Party on Facilitation of International Trade Procedures. Trade facilitation was then regarded as "an organized and systematic approach to the rationalization of procedures and related documentation, by minimizing formalities, simplifying and harmonizing procedures and documents". This definition included also numerous facilitation measures directly related to the physical movement of goods, i.e., transport. A significant development in this field was achieved in 1963 when the "United Nations layout key for trade documents" was adopted. Since then, a larger number of trade and transport documents have been aligned to that key with resulting economies up to 75 per cent in the cost for document preparation.

5. At the regional level, the following activities were undertaken by regional commissions in this field:

(a) In 1966, the joint meeting of the ECA working Party on Intra-African Trade and the OAU Ad hoc Committee of Fourteen on Trade and Development was briefed on matters relating to trade facilities but no follow-up activities were undertaken:

(b) In ESCAP, facilitation activities were initiated in 1968 through the convening of a working party on facilitation of international traffic;

(c) In ECLAC, facilitation activities focused on maritime traffic and resulted in 1964 in the adoption of the Mar del Plata Convention on Facilitation of Maritime Traffic.

6. The need to co-ordinate facilitation work at the interregional level was felt and brought to the attention of ECOSOC by ECE's resolution 4 (XIV) adopted at ECE's 1969 session. The executive secretaries of the regional commissions met subsequently and decided to promote the UNCTAD-based Trade Facilitation Programme (FALPRO) through a UNDP-funded project. Technical co-operation activities were carried out within the framework of the project and missions were sent to many developing countries, including African countries to assist in simplifying and rationalizing trade and transport documents and procedures. FALPRO also assisted in setting up several national facilitation committees and trained their members.

7. The Economic Commission for Africa (ECA), in co-operation with other international institutions such as UNCTAD, has carried out facilitation activities by mainly including transit protocols in the various trade arrangements governing subregional groupings. Seventeen corridors based on various modes of transport have also been promoted to serve 14 land-locked countries. However, the efficient functioning of the various transit systems covering these corridors is still to be achieved. Moreover, transit facilities and systems will be increasingly required for the existing and planned trans-African highways.

8. More recently, developments have taken place at the international level in the field of automatic data transmission. In 1985, the United Nations adopted international trade procedures of universal syntax rules for the interchange of trade data. In 1988, this was transformed into the United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) which is being used as a basis for the construction of international messages. It is hoped that this will progressively replace the traditional paper documents in international trade procedures.

III. THE RATIONALE FOR INTERREGIONAL CO-OPERATION IN TRADE FACILITATION

9. Trade facilitation is closely linked with efforts towards the enhancement of regional economic co-operation and integration. Facilitation activities and systems are therefore likely to follow regional patterns. This would jeopardize standardized multilateral trade liberalization processes and progress in rationalizing and harmonizing interregional trade procedures and documents. Moreover, developed countries might introduce innovative procedures and data transmission techniques that would constitute new formidable non-tariff barriers to developing nations if no measures are adopted to help the latter keep the pace of changes in the field.

10. It was in recognition of this that ECA and UNCTAD decided to create a framework for co-operation and co-ordination in trade facilitation with the following objectives:

(a) The creation of an interregional forum to discuss trade facilitation issues and programmes;

(b) The co-ordination of trade facilitation work at the interregional level;

(c) The follow-up of traditional facilitation activities with a view to strengthening existing transit systems and help countries streamline further trade and transport documents and procedures; and

(d) To review conditions for the progressive setting up of facilities including data bases for the effective introduction of the United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT).

11. There is an urgent need for Africa to strengthen and consolidate existing trade facilitation mechanisms and systems and bring them up to date with international practices.

IV. PROJECT PROPOSAL FOR INTERNATIONAL CO-OPERATION IN INTERNATIONAL TRADE FACILITATION

12. By its resolution 1989/114 on international co-operation for facilitation of international trade, the United Nations Economic and Social Council (ECOSOC) invited the regional commissions and UNCTAD to prepare a project proposal based on the existing practices and specific needs for trade facilitation in the regions. A summary of the project proposal is given in the next few paragraphs.

A. Development objectives

13. The long-term objective of the project on interregional co-operation for the facilitation of international trade is to have international trade make a more efficient and dynamic contribution to the development process by reducing transaction costs and eliminating disruption to the interferences with the actual flow of goods and services through:

(a) Assisting member countries to reduce, simplify and standardize documentary requirements (on the basis, inter alia, of the United Nations layout key) in relation to the movement of goods and the provision of services;

(b) Assisting member countries and interested subregional and regional organizations in reaching agreement(s) to facilitate trade;

(c) Preparing the ground for progressive replacement of paper documents used in international trade transactions by electronic data interchange based on the United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT); and

(d) Assisting member countries and interested organizations in implementing UN/EDIFACT.

14. The immediate objectives of the project are as follows:

(a) Immediate objective 1: To conduct studies on the state of trade facilitation practices and procedures and related administrative arrangements and agreements in member countries, and identification of trade facilitation constraints and requirements;

(b) Immediate objective 2: To inform member countries and concerned organizations about existing international trade facilitation measures and efforts to ensure their involvement in the development of such measures and efforts at the international level, and in their implementation at the national, subregional and regional levels; and

(c) Immediate objective 3: To strengthen and upgrade the capacity of individual member countries and subregional and regional groupings and organizations for the practical implementation of trade facilitation measures, including those required prior to the introduction of UN/EDIFACT.

15. The outputs envisaged under the project would include (a) national studies of formalities and procedures and related administrative and other arrangements related to the movement of goods under international trade and major constraints and requirements; (b) seminars and workshops to provide detailed information about the development of trade facilitation work by the Economic Commission for Europe and its dissemination to national representatives dealing with international trade. These will also assist governments and regional organizations in identifying and defining their trade facilitation constraints, requirements and objectives; and (c) advisory services designed to assist governments, subregional and regional organizations in identifying obstacles to international movements of goods, including legal and procedural formalities and constraints and in proposing appropriate solutions.

B. Beneficiaries under the project

16. The beneficiaries of the proposed project will be governments, including ministries/departments concerned with planning, trade, transport, customs administration, statistics and data processing; subregional and regional entities and organizations involved in trade promotion and facilitation; representatives of both private and public entities involved in production, trade and movement of goods (chambers of commerce, and industry and associations of producers, exporters, etc.).

V. REGIONAL COMPONENT AND PERSPECTIVES

17. In order to take full account of the African requirements, it is proposed that the interregional project on trade facilitation should include the following regional components:

(a) UN/EDIFACT promotion and implementation

18. Pilot projects in two countries or more in co-operation with telecommunications corporations which would provide public facilities (computer centres) to trading firms

interested in UN/EDIFACT exchanges to subsequently evaluate these pilot projects with a view to extending their experiences to other African countries.

(b) Regional participation in global facilitation work

19. Following the conversion of ECE's working party into an interregional forum on facilitation, ECA will organize regional African consultations prior to meetings of the working party and will provide technical backstopping to the African group in meetings of the working party.

(c) Training

20. To carry out appraisal of transit agreements and transit systems in the Economic Community for West Africa States (ECOWAS), the Economic Community of Central African States (ECCAS), the Preferential Trade Area for Eastern and Southern African States (PTA) and to organize in each of these communities one subregional seminar on applied trade facilitation in the light of subregional needs and programmes. These activities will be carried out in co-operation with ECA and UNCTAD/FALPRO.

(d) Network of facilitation

21. Establishment of subregional consultative committees on facilitation within each of the main subregional groupings (ECOWAS, ECCAS, PTA), and a regional consultative committee. Such committees will meet at least once a year to discuss subregional arrangements and co-operation in facilitation. The regional committee will concentrate on the harmonization of trade and transport facilitation systems and practices between subregions and carry out work on the establishment of a regional network of trade facilitation and a regional transit system as part of the proposed African economic community.

22. ECA will establish a regional focal point within its Trade and Development Finance Division with two regional advisers who will co-ordinate all facilitation activities and carry out technical assistance missions to countries and subregional organizations. Countries and subregional groupings will be assisted for the establishment and/or strengthening of facilitation focal points which will act as counterparts of ECA's regional focal point. The ECA focal point will also act as a training centre for national experts and will provide the necessary equipment (hardware and software to be secured from project funds) for training purposes.

23. The rationale for the above regional components stems from the need to rectify the lack of competitiveness of African exports, the low level of intra-regional trade and hindrances to physical movements of goods across borders and from coastal areas to land-locked countries. This strengthens the case for Africa's involvement in trade facilitation.

24. It should also be stressed that procedures, paperwork and man-made obstacles linked to them represent very important cost factors and very serious impediments to the expansion of Africa's trade. Available estimates indicate that these costs are equivalent from 7 to 10 per cent of the value of goods traded. Adding to this the cost of immobilizing shipments and lorries at border posts because of the lack of

proper administrative arrangements and because of bureaucracy, the total cost factors would be more than 10 to 20 per cent of the value of goods traded, which is tantamount to dangerously eroding the competitiveness of African goods or increasing costs of imports to African countries by that much and fueling inflation. Africa should therefore play an active role in programmes and activities aiming at the rationalization of procedures and documents with a view to accelerating trading processes and reducing paper work so as to improve competitiveness.

25. Another reason for Africa to embark on trade facilitation programmes is the existence of various transit arrangements in the continent that are sometimes incompatible with one another. There is the need for them to be linked together to create the necessary framework for the establishment of a regional common market and the African economic community.

26. The proposed intra-regional programme focuses on the introduction of EDIFACT which is a recent breakthrough in the field of automatic data transmission. The developing countries, including Africa, have to keep pace with technological innovations to be imposed on them as new types of non-tariff barriers. However, Africa's immediate preoccupations should focus on intra-regional trade liberalization schemes. The streamlining of procedures and the simplification of documents at the national level is a primary task to be carried out by local facilitation committees with external assistance, whenever necessary. The main task should be to focus on intra-regional co-operation and to ensure the establishment and effective functioning of facilitation mechanisms within the framework of subregional transit arrangements (including those governing the 14 transit corridors involving land-locked countries).

VI. CONCLUSIONS

27. International trade is currently underlain through highly sophisticated electronic data processing involving high speed transmission of information and documentation. The fast pace of science and technology developments implies greater and more comprehensive use of international trade facilitation in this field. Developing countries wishing to take advantage of such facilitation have no choice but to establish the most effective means by which they can effectively take advantage of trade facilitation to develop their trade regimes along modernized lines.

28. The proposed interregional project on co-operation in international trade facilitation will enable African countries to identify their problems, requirements and objectives in international and intra-African trade facilitation and to make full use of systems such as FALPES and IN/EDIFACT to ease their external trade. The project would also enable African countries to develop their capacities for processing of trade information as well as in overcoming existing obstacles to trade facilitation such as the inadequacy or lack of information, knowledge and expertise in trade formalities, procedures and documents, including international transport requirements, constraints, legislations and practices.

29. It is in the interest of Africa as a whole for African Governments to endorse and support this project. This would increase their knowledge and understanding of the organization and working of trade facilitation and to develop and strengthen institutional capacities for conducting international and intra-African trade.